



United States Army Medical Research Acquisition Activity USAMRAA



Becoming More Performance Based Getting Better at PBA

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PERFORMANCE BASED ACQUISITION (PBA)



- ▶ *PBA Definition* – *PBA is a mechanism applied to the acquisition of services and supplies. It involves strategies, methods, and techniques that describe and communicate measurable outcomes rather than direct performance processes. It is structured around defining a requirement in terms of performance objectives and providing contractors the latitude to determine how to meet those objectives. Simply put, it is a method for acquiring what is required and placing the responsibility for how it is accomplished on the contractor.*

ORIGIN OF PBA

In March 1991, the Office Of Federal Procurement Policy (OFPP) issued Policy Letter 91-2 with a subject of Service Contracting. That policy letter established that agencies use performance-based service contracting to the maximum extent possible when acquiring services.

PBSC, PBSA, or PBA?

- *Prior to February 2000 – PBSC*
- *February 2000 - PBSA*
 - *This change was made to stress the importance of acquisition, and to recognize that the development of documents in this process is not the primary responsibility of the contracting workforce, but of the entire acquisition workforce.*
- *February 2006 - PBA*
 - *This change was made to stress the use of this type of contracting to extend beyond services and allow for its use in supplies as well, to the maximum extent practicable.*

PBA REGULATORY GUIDANCE

- *Federal Acquisition Regulation (FAR) Sections 11.002(a)(2) and 11.101*
- *FAR Subpart 37.6*
- *Defense Federal Acquisition Regulation Supplement (DFARS) 237.170-2*
- *<\$50 Million, non-use of PBA – Approval by USAMRMC PARC*
- *>\$50 Million, non-use of PBA – Approval by ASA(AL&T)*

PBA EXCLUSIONS

The FAR encourages the use of PBA to the maximum extent practicable except for the following exclusions:

1. *Architect-engineering services*
2. *Construction*
3. *Utility services*
4. *Services that are incidental to supply purchases*

PBA LIMITATIONS

There are other recognized types of services that may not lend themselves to outcome-oriented requirements. The following are not required to use PBA (although not precluded either)

- *Research and Development*
- *Professional Medical Services*
- *Tuition, Registration, and Membership Fees*

OBJECTIVES OF USING PBA

- *Maximize Performance*
- *Maximize Competition and Innovation*
- *Encourage and Promote the use of Commercial Services*
- *Shift in Risk (from Government to industry)*
- *Achieve Savings*

THE PBA TEAM

- *Customer/User*
- *Technical Specialist/Project Manager*
- *Contracting Officer/Contract Specialist*
- *Cost/Price Analyst*
- *Performance Assessment Personnel*
- *Small and Disadvantaged Business Utilization Specialist*
- *Finance/Budget Officer*
- *Legal Advisor*

FAR Part 2 Definitions

- ▶ Performance Work Statement (PWS) means a statement of work for performance-based acquisitions that describes the required results in clear, specific, and objective terms with measurable outcomes.
- ▶ Statement of Objectives (SOO) means a Government-prepared document incorporated into the solicitation that states the overall performance objectives. It is used in solicitations when the Government intends to provide the maximum flexibility to each offeror to propose an innovative approach.

STATEMENT OF OBJECTIVES (SOO)

Another Method for Developing a Performance Work Statement

- *Emerging Methodology that turns the acquisition process around by requiring competing contractors to develop the statement of work, performance metrics, a performance measurement plan, and a quality assurance plan.*
- *Government prepared document incorporated into the solicitation that states the overall solicitation objectives. Usually very short (less than 10 pages) and provides basic, high-level objectives of the acquisition.*
- *Used in cases where the intent of the solicitation is to provide the maximum flexibility to each offeror to propose an innovative development approach.*
- *Contractor's proposals contain statements of work and performance metrics and measures based on their proposed solutions and existing commercial practices.*

MARKET RESEARCH

Market research is the process of collecting and analyzing information on commercial capabilities, processes, pricing, incentives, warranties, and delivery, and other standard terms and conditions. This information is needed in order to determine the suitability of the marketplace for satisfying a need or a requirement.

MARKET RESEARCH

Why conduct market research for a PBA requirement?

INGREDIENTS FOR A PBA REQUIREMENT

1. **PERFORMANCE WORK STATEMENT (PWS)** – Through the development of performance outcomes, performance objectives, and performance standards/acceptable quality levels, the PWS is created. The PWS describes the requirement in terms of measurable standards rather than by means of prescriptive methods.
2. **QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)** – Describes how contractor performance will be measured and assessed against the performance standards.
3. **INCENTIVES AND REMEDIES** – Incentives are used to encourage performance that will exceed performance standards. They motivate high-quality performance. Remedies are procedures employed to manage performance that does not meet performance standards. Incentives and remedies are not an essential element for every PBA requirement. These are usually employed when an acquisition is critical to agency mission or requires a large expenditure of funds. When used, the performance incentives shall correspond to the performance standards set forth in the contract.

DEVELOPING A PBA PWS WITH MEASURABLE PERFORAMANCE STANDARDS

Key thing to remember describe requirements as outcomes, not in terms of how to accomplish the requirement.

DEVELOPING A PBA PWS

Performance Requirements Analysis

1. *Define the desired outcomes – What must be accomplished to satisfy the requirement?*

Outcome Example:

Provide custodial services for the four-building “Bio-Defense Complex” located at Fort Detrick, Frederick, Maryland.

DEVELOPING A PBA PWS (continued)

Performance Requirements Analysis

2. *Conduct an outcome analysis to identify performance objectives – What tasks must be accomplished to arrive at the desired outcomes?*

Performance Objectives Samples:

- *Provide an array of custodial services to the:*
 - *Faculty Office Building (52 offices)*
 - *Research Laboratory (26 lab stations)*
 - *Human Resource Building (20 offices)*
 - *Harold Hoffman Hospital (a full services, 100-bed facility)*

DEVELOPING A PBA PWS (continued)

Performance Requirement Analysis

3. *Conduct a performance analysis to identify the appropriate performance standards and acceptable quality levels (AQLs)—
When or how will I know that the outcome has been achieved and
how much deviation from the standard will I allow, If any?*

Performance standards must be measurable in terms of quality, timelines, quantity, etc. (I.e. response times, delivery times, error rates, accuracy rates, or completion milestone rates)

DEVELOPING A PBA PWS (continued)

Performance Standards/AQL Examples:

- *Restrooms in all buildings shall be cleaned daily.*
- *Administrative portions of all buildings shall be cleaned on a Monday, Wednesday, and Friday basis and shall be completed by 1:00 p.m. on each of those days.*
- *Research Lab shall be cleaned in a manner that satisfies the requirements of DoD Manual 165, "Good Laboratory Practices-Lab Cleanliness." The permissible error rate is not more than three violations per calendar quarter.*
- *Patient care areas (hospital rooms, surgical suites, diagnostic suites, and medical testing areas) shall be cleaned daily between 1:00 a.m. – 6:00 a.m. The entire hospital shall be cleaned to the satisfaction of the requirements contained in the 2006 edition of "The Joint Accreditation Council for Hospital Cleanliness." An accuracy rate of 99% per six-month period must be achieved.*

DEVELOPING A PBA PWS (continued)

- *Use of manpower requirements and labor category descriptions*
 - *Requirement should be described in a way that allows the offerors to meet the need by applying alternative sets of resources. Let the offerors propose their best solutions for manpower requirements.*
- *Historical and projected workload data*
 - *Including this type of information allows perspective contractors to predict manpower and supply needs more accurately as they relate to a specific requirement.*

DEVELOPING A PBA PWS (continued)

PERFORMANCE REQUIREMENTS SUMMARY (PRS)

- *Outcomes + Objectives + Standards/AQLs=PRS*
- *The PRS is the baseline for performance work statement development*

PWS REVIEW CONSIDERATIONS

- *Will offerors be able to prepare a sound technical proposal?*
- *Will offerors be able to prepare a sound cost proposal?*
- *Are standards clearly identified so they measure performance?*
- *Are proper quantities and delivery dates articulated?*
- *Are referenced documents properly described and cited?*

QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)

The QASP describes how government personnel will evaluate and assess contractor performance.

“A Living Document” that can be revised or modified as circumstances warrant

An effective QASP contains the performance standards and the planned, systematic method for monitoring the contractor’s performance.

The QASP provides a specified way to determine if performance is being met or exceeded. If requirements are not being met, the QASP is the basis for any subsequent management action.

QUALITY ASSURANCE SURVEILLANCE

PLAN (continued)

ASSESSMENT METHODS

- *Random Sampling (most effective for frequently occurring tasks)*
 - *Periodic Sampling (appropriate for tasks that occur infrequently)*
 - *100% Sampling*
 - *Trend Analysis (used regularly and continually to assess performance over a protracted period of time)*
 - *Customer Feedback (used for services that do not lend themselves to other forms of assessment. Needs to be thoroughly validated and prudently used.)*
 - *Third Party Audits (contractor evaluation by a third-party organization that is independent of the Government and the Contractor. All third-party gathered information should be made available to the Government and the Contractor.)*
- ▶ When acquiring a commercial service, to the maximum practical extent, use the contractor's commercial quality assurance plans to evaluate contractor performance.

QUALITY ASSURANCE SURVEILLANCE PLAN **(continued)**

PERFORMANCE OUTCOME - (Support of a Call Center Operation)

Performance Objectives:	Performance Standards/AQLs:	Performance Assessment:
1. Maintain all equipment and materials	1. Equipment failures, non-availability, or maintenance shall not interfere with operations for more than x minutes during a month.	1. Random inspection; audit or review by third party.
2. Develop and conduct a liaison program	2. Contact, by phone, visit or e-mail, at least x% of the offices each month, with at least x% of the offices having been contacted each year.	2. Perform random verification of list of contacts.
3. Develop and conduct a public outreach program	3. Perform at least x% of the program each month, with at least x% of the program having been completed by the end of each contract year.	3. Review contractor records, sample products. Review the effect on call volume in call records.

QUALITY ASSURANCE SURVEILLANCE PLAN **(continued)**

PERFORMANCE OUTCOME - (Year Round Maintenance of Fort Detrick Parade Field)

Performance Objective:	Performance Standards/AQLs:	Performance Assessment:
1. Perform all tasks associated with providing care of the parade field including, but not limited to, fertilizing, watering, mowing, and trimming of this 200' x 300' area.	1. Provide field care in accordance with the Fort Detrick "Care Plan for Parade Field."	1. Each Monday , the COR will compare the condition/care of the parade field for conformance with the approved care plan.
	2. Not more than 3% of the parade field can be inhabited by weeds at any juncture between the April – October timeframe.	2. The COR will conduct a random sampling of any 5' x 5' area of the parade field for the presence of weeds at any time.
	3. The condition of the grass shall, at all times, conform to the then current issue of "Standards of Lawn Care" published by the U.S. Lawn Federation.	3. On the first day of each month, COR will take five grass plugs from randomly selected locations on the parade field and compare the condition of the plugs with the condition chart in the U.S. Lawn Federation's "Standard of Lawn Care."

INCENTIVES

- *Incentives can be monetary or non-monetary and can be based on cost, schedule, or quality of performance.*

TYPES OF INCENTIVES

- *Cost-Based Incentives*
- *Schedule Incentives*
- *Award-Fee Incentives*
- *Award-Term Incentives*
- *Past Performance*

REMEDIES

- ***Remedies are applied when services are not performed or do not meet contract requirements.***

TYPES OF REMEDIES

- *Reduction in price*
- *Reduction in profit/fee*
- *Re-Performance at no additional cost*
- *Increased surveillance*
- *Increased contractor reporting*

PWS & SOO

CHECKLIST OF BEST PRACTICES

- PWS
 - ☐ Conduct an analysis
 - ☐ Apply the “so-what?” test?
 - ☐ Capture the results of the analysis in a matrix?
 - ☐ Write the Performance Work Statement.
 - ☐ Let the seller solved the problem, including the labor mix.
- SOO
 - ☐ Begin with the acquisition’s “elevator message”.
 - ☐ Describe the scope.
 - ☐ Write the performance objectives into the SOO.
 - ☐ Make sure the buyer and the seller share objectives.
 - ☐ Identify the constraints.
 - ☐ Develop the background.

PERFORMANCE BASED MEASUREMENTS AND METRICS - BEST PRACTICES

- Review the success determinants.
- Rely on commercial quality standards.
- Have the seller propose the metrics and the quality assurance surveillance plan.
- Select only a few meaningful measures on which to judge success.
- Include contractual language for negotiated changes to the metrics and measures.
- Most importantly, consider the relationship.

COURSE AND INFORMATION SITES

PBA TRAINING MODULES:

THE DEFENSE ACQUISITION UNIVERSITY CONTINUOUS LEARNING CENTER.....<http://dau.mil> (INSTRUCTIONS: Select "Continuous Learning" then select "Browse for Continuous Learning Modules." Then select the course name from the list.) Suggested: CLC 014 Acquisition of Services and CLC 004 Market Research

**SEVEN STEPS TO PERFORMANCE BASED ACQUISITION....
http://acquisition.gov/comp/seven_steps/home.html**

GUIDEBOOK FOR PERFORMANCE-BASED SERVICES ACQUISITIONS (PBSA) IN THE DEPARTMENT OF DEFENSE.....December 2000. Acquisition Community Connection...<https://acc.dau.mil/CommunityBrowser>